

AUDITED FINANCIAL STATEMENTS
SOUTH HAVEN MEMORIAL LIBRARY

June 30, 2004

AUDITING PROCEDURES REPORT

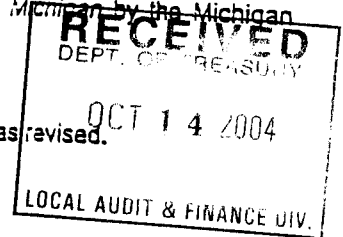
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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name SOUTH HAVEN MEMORIAL LIBRARY	County VAN BUREN
Audit Date 6-30-04	Opinion Date 8-24-04	Date Accountant Report Submitted to State: SEPTEMBER 10, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) CALVIN MEEUSEN COMPANY, C.P.A., PLLC			
Street Address 1014 S. Beacon Blvd	City Grand Haven	State MI	ZIP 49417
Accountant Signature 			

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CALVIN MEEUSEN COMPANY, C.P.A., PLLC

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INDEPENDENT AUDITOR'S REPORT

South Haven Memorial Library
South Haven, Michigan

I have audited the accompanying financial statements of the governmental activities and the fiduciary fund of the South Haven Memorial Library, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the South Haven Memorial Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements listed in the table of contents present fairly in all material respects, the financial position of the governmental activities and the fiduciary fund of the South Haven Memorial Library at June 30, 2004, and the results of the operations of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My report of comments and recommendations has been submitted under date of August 24, 2004.

 Calvin Meeusen Company C.P.A. PLLC

August 24, 2004

South Haven Memorial Library
Management's Discussion and Analysis
June 30, 2004

Using this Annual Report

This annual report consists of the Library's financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library and present a longer-term view of the Library's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending.

The Library as a Whole

The Library's combined net assets decreased 3% from a year ago - decreasing from \$796,509 to \$774,611. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Current Assets	\$285,293	\$284,629
Noncurrent Assets	<u>510,877</u>	<u>526,041</u>
Total Assets	796,170	810,670
Current Liabilities	12,655	5,026
Long-Term Debt Outstanding	<u>8,904</u>	<u>9,135</u>
Total Liabilities	<u>21,559</u>	<u>14,161</u>
Net Assets		
Invested in Capital Assets-Net of Debt	510,877	526,041
Unrestricted	<u>263,734</u>	<u>270,468</u>
Total Net Assets	<u>\$774,611</u>	<u>\$796,509</u>

Unrestricted net assets, which represent net assets that can be used to finance day to day operations, decreased by \$6,734 for the year. This represents a decrease of approximately 2%. The current level of unrestricted net assets for our governmental activities stands at \$263,734 or about 80% of operating expenditures.

South Haven Memorial Library
Management's Discussion and Analysis
June 30, 2004

The following table shows the changes of the net assets as of the current date to the prior year:

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Revenues:		
Property taxes	\$ 191,077	\$ 177,132
State grants	11,541	7,579
Penal fines	44,177	47,645
Contributions	4,659	5,357
Fees and book fines	11,156	11,854
Interest	4,833	4,574
Other revenue	<u>4,748</u>	<u>5,929</u>
TOTAL REVENUES	272,191	260,070
Expenditures:		
Salaries and wages	118,149	107,134
Employee benefits	13,124	16,463
Payroll taxes	9,446	8,196
Supplies	3,387	3,178
Southwest Michigan Library Cooperative	4,155	309
Repairs and maintenance	2,302	1,994
Professional and contractual services	5,433	4,910
Insurance	4,459	4,106
Telephone	2,585	2,512
Building maintenance	47,752	5,168
Utilities	16,543	16,215
Depreciation	57,978	53,737
Miscellaneous	<u>9,007</u>	<u>2,458</u>
TOTAL EXPENDITURES	<u>294,320</u>	<u>226,380</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>(22,129)</u>	\$ <u>33,690</u>

The Library's net assets continue to remain healthy. The library has enough cash on hand at the end of the year to fund normal operating expenses in similar circumstances for eleven months.

South Haven Memorial Library
Management's Discussion and Analysis
June 30, 2004

Governmental Activities

The Library's total revenues increased by approximately \$12,120, primarily due to the increase in property taxes.

Expenses increased modestly during the year except for building maintenance. This was primarily the result of close budget monitoring throughout the year. The building maintenance rose substantially due to higher incurred maintenance costs.

The Library's Funds

An analysis of the Library's General Fund is on page 19, following the notes to the financial statements. The fund financial statements provide detail information about the most significant funds, not the Library as a whole. The Library Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Library's major fund for 2004 is the General Fund.

The General Fund pays the Library's general operating expenditures. The most significant are salaries and wages of approximately \$118,000 for the fiscal year. The Fiduciary Fund activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets.

General Fund Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events during the year. The significant changes were to increase building maintenance by \$30,000 and decrease capital outlay by \$25,000. Library expenditures overall stayed below budget, resulting in total expenditures of \$5,478 below budget. The General Fund's fund balance decreased from \$279,603 a year ago to \$272,638 at June 30, 2004. These adjustments were made to reflect higher maintenance costs and lower capital outlay expenditures.

Capital Asset and Debt Administration

At June 30, 2004 the Library had \$1,067,664 invested in a broad range of capital assets, land, buildings, books and other collections and furniture and equipment.

South Haven Memorial Library
Management's Discussion and Analysis
June 30, 2004

Economic Factors and Next Year's Budgets and Rates

The Library's budget for the next fiscal year projects property taxes, which is the largest source of revenue, to remain approximately the same as the current year. State aid, including penal fines, is a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state aid may decrease. Salaries, which remain as the largest expenditure, will continue to increase slightly.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and other interested parties with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (269) 637-2403.

South Haven Memorial Library
Governmental Funds Balance Sheet/Statement of Net Assets
June 30, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
Assets			
Cash	\$ 272,262	\$ -	\$ 272,262
Receivables:			
Taxes	9,905	-	9,905
Penal fines	3,126	-	3,126
Property, plant and equipment	-	510,877	510,877
Total assets	<u>\$ 285,293</u>	<u>\$ 510,877</u>	<u>\$ 796,170</u>
Liabilities			
Accounts payable	\$ 12,655	\$ -	\$ 12,655
Long-term debt	-	8,904	8,904
Total Liabilities	<u>\$ 12,655</u>	<u>\$ 8,904</u>	<u>\$ 21,559</u>
Fund Balance/Net Assets			
Fund Balances			
Undesignated	272,638	(272,638)	-
Total fund equities	<u>272,638</u>	<u>(272,638)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 285,293</u>		
Net Assets			
Invested in Capital Assets-Net of Related Debt		510,877	510,877
Unrestricted		263,734	263,734
Total Net Assets		<u>\$ 774,611</u>	<u>\$ 774,611</u>

The accompanying notes are an integral part of this statement.

South Haven Memorial Library
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund
Balance/Statement of Activities
Year ended June 30, 2004

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 191,077		\$ 191,077
State grants	11,541		11,541
Penal fines	44,177		44,177
Contributions	4,659		4,659
Fees and book fines	11,156		11,156
Interest	4,833		4,833
Other revenue	4,748		4,748
TOTAL REVENUES	272,191		272,191
Expenditures:			
Salaries and wages	118,149	(231)	117,918
Payroll taxes	9,446		9,446
Employee benefits	13,124		13,124
Books and related materials	40,045	(40,045)	-
Supplies	3,387		3,387
Southwest Michigan Library Cooperative	4,155		4,155
Repairs and maintenance	2,302		2,302
Professional and contractual services	5,433		5,433
Insurance	4,459		4,459
Telephone	2,585		2,585
Building maintenance	47,752		47,752
Utilities	16,543		16,543
Capital outlay	2,769	(2,769)	-
Depreciation	-	57,978	57,978
Miscellaneous	9,007		9,007
TOTAL EXPENDITURES	279,156	14,933	294,089
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,965)	(14,933)	(21,898)
Fund balances - July 1	279,603	516,906	796,509
Fund balances - June 30	\$ 272,638	501,973	774,611

The accompanying notes are an integral part of this statement.

South Haven Memorial Library
Fiduciary Fund - Statement of Net Assets
June 30, 2004

	<u>Expendable Trust Fund</u>
Assets	
Cash	\$ <u>88,509</u>
Total Assets	\$ <u>88,509</u>
Net Assets	
Held in Trust for Library	\$ <u>88,509</u>

The accompanying notes are an integral part of this statement.

South Haven Memorial Library
Fiduciary Fund - Statement of Changes in Net Assets
Year ended June 30, 2004

	<u>Expendable Trust Fund</u>
Additions	
Contributions	\$ 44,192
Interest Income	<u>784</u>
Change in Net Assets	44,976
Net Assets - July 1	<u>43,533</u>
Net Assets - June 30	<u>\$ 88,509</u>

The accompanying notes are an integral part of this statement.

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the South Haven Memorial Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the South Haven Memorial Library:

1. Reporting Entity

The South Haven Memorial Library is governed by a seven-member Board of Trustees appointed by South Haven Township and the City of South Haven. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the South Haven Memorial Library.

The Statement of Activities demonstrates the degree to which the direct expenses of providing library services are offset by the revenues designated to fund those services. All of the revenues of the Library are intended to pay for those direct expenses.

Separate financial statements are provided for the Fiduciary Fund which is excluded from the government wide financial statements.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation-Cont.

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The various funds are presented in these financial statements as follows:

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library.

Expendable Trust Fund - The Expendable Trust Fund is used to account for donor restricted assets that are intended to be designated for large capital expenditures and reading materials. The amount in the expendable trust fund is attributable mostly from private donations and earnings. One of the provisions was that the monies be segregated from general operating funds. Distributions from this fund can be made from principal for any qualifying expenditure as determined by the Library Board but only after a minimum balance of \$100,000 is attained. The Library Board has the right to re-evaluate and change any guidelines and conditions.

4. Capital Assets

Capital assets, which include property, plant and equipment are reported in the Statement of Net Assets column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	55 years
Building improvements	15 - 30 years
Collections	10 years
Equipment	7 - 15 years
Furniture and Fixtures	7 - 15 years
Computer Equipment	5 years

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about June 1, the Library submits to the general public a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. On or about July 1, the budget is legally enacted through passage of a resolution.
- d. The Library Board is authorized to transfer budgeted amounts within departments within any activities.
- e. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the general fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by Library Board as of June 30, 2004.

6. Compensated Absences

Library employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation pay and sick leave may accumulate and be carried over to a subsequent year, subject to restrictions. No portion of unused sick leave is paid to employees at the time of termination or retirement.

7. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Library.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Risk Management

The South Haven Memorial Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical benefits claims and for claims relating to general liability, excess liability, physical damage (equipment, buildings and contents) and worker compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

10. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

11. Cash Equivalents

The Library considers all short-term investments with an original maturity of three months or less to be cash equivalents.

NOTE B - CASH

The Library's cash at June 30, 2004 was reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash	\$ 272,262	\$ 88,509	\$ 360,771

At June 30, 2004 the carrying amount of the Library's deposits was \$360,771. The bank balance of the Library's deposits was \$366,913. Of the bank balance \$295,326 was covered by federal depository insurance and the remainder was uninsured.

NOTE C - CAPITAL ASSETS

Capital asset activity of the Library for the year ended June 30, 2004 was as follows:

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE C - CAPITAL ASSETS - CONTINUED

	Balance July 1 <u>2003</u>	Addi- tions	Dele- tions	Balance June 30 <u>2004</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ <u>15,322</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>15,322</u>
Capital Assets Being Depreciated				
Building	515,229	-	-	515,229
Building improvements	75,422	-	-	75,422
Collections	310,673	40,045	31,900	318,818
Equipment	22,318	-	-	22,318
Furniture and Fixtures	86,904	2,769	-	89,673
Computer Equipment	<u>30,882</u>	<u>-</u>	<u>-</u>	<u>30,882</u>
Subtotal	<u>1,041,428</u>	<u>42,814</u>	<u>31,900</u>	<u>1,052,342</u>
Less Accumulated Depreciation for				
Building	282,370	9,367	-	291,737
Building improvements	22,740	4,890	-	27,630
Collections	150,388	29,880	31,900	148,368
Equipment	19,542	214	-	19,756
Furniture and Fixtures	41,092	7,451	-	48,543
Computer Equipment	<u>14,577</u>	<u>6,176</u>	<u>-</u>	<u>20,753</u>
Subtotal	<u>530,709</u>	<u>57,978</u>	<u>31,900</u>	<u>556,787</u>
Net Capital Assets Being Depreciated	<u>510,719</u>	<u>(15,164)</u>	<u>-</u>	<u>495,555</u>
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	\$ <u>526,041</u>	\$ <u>(15,164)</u>	\$ <u>-</u>	\$ <u>510,877</u>

NOTE D - PENSION PLAN

The Library contributes through the City of South Haven to the Michigan Municipal Employees' Retirement System, a cost-sharing multiple employer defined benefit pension plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The system issues a publicly available financial report. That report may be obtained by writing to the City of South Haven at 539 Phoenix Street, South Haven, Michigan.

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE D - PENSION PLAN - CONTINUED

The obligation to contribute to and maintain the system for these employees was established by a resolution of the Library's Board of Directors and requires no contribution from the employees. The Library is required to contribute at actuarial required rates; the current rate is 0% of covered payroll. The Library's contribution to the pension plan for the years ending June 30, 2004, 2003, and 2002 were \$0, \$0, and \$0, respectively, and were equal to the actuarially required contributions for each year.

NOTE E - LONG-TERM DEBT

Long-term debt consists of accumulated employee benefits that represents the estimated liability to be paid governmental fund type employees under the Library's vacation pay policy. Under the Library's policy, employees can earn vacation time based on the time of service with the Library.

	Balance July 1 <u>2003</u>	Additions (Reductions)	Balance June 30 <u>2004</u>	Due Within <u>One Year</u>
Accumulated employee benefits	\$ <u>9,135</u>	\$ <u>(231)</u>	\$ <u>8,904</u>	\$ <u>3,912</u>

NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Library's actual and budgeted expenditures have been adopted on a functional basis.

This is the same basis for which the budget has been legally adopted.

During the year ended June 30, 2004, the Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total <u>Appropriations</u>	Total <u>Expenditures</u>	Budget <u>Variance</u>
General Fund			
Supplies	\$ 3,100	\$ 3,387	\$ 287
Southwest Michigan			
Library Cooperative	1,700	4,155	2,455
Repairs and maintenance	1,000	2,302	1,302
Insurance	3,500	4,459	959
Telephone	2,500	2,585	85
Building maintenance	36,000	47,752	11,752
Miscellaneous	2,700	9,007	6,307

South Haven Memorial Library

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE G - ACCOUNTING AND REPORTING CHANGE - GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments. The Library has applied the provisions of this statement in the accompanying financial statements (including notes to financial statements). The Library has implemented the general provisions of the statement in the current year. Certain significant changes in the statement include the following:

- a. A Management's Discussion and Analysis (MD & A) section providing an analysis of the Library's overall financial position and results of operations
- b. Financial statements prepared using full accrual accounting for all of the Library's activities (Statements of Net Assets/Activities)
- c. A change in the fund financial statements to focus on the major funds
- d. Property, plant and equipment in the Statement of Net Assets includes assets totaling approximately \$1,068,000 that would previously have been reported in the General Fixed Assets Account Group
- e. The Statement of Net Assets includes long-term debt totaling \$8,904 previously reported in the General Long-Term Debt Account Group

South Haven Memorial Library
Budgetary Comparison Schedule-General Fund
Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	279,603	279,603	279,603	-
Resources (Inflows)				
Property taxes	170,000	170,000	191,077	21,077
State grants	6,700	6,700	11,541	4,841
Penal fines	45,000	45,000	44,177	(823)
Contributions	3,300	3,300	4,659	1,359
Fees and book fines	12,000	12,000	11,156	(844)
Interest	3,500	3,500	4,833	1,333
Other revenue	5,000	5,000	4,748	(252)
Amounts Available for Appropriation	525,103	525,103	551,794	26,691
Charges to Appropriations (Outflows)				
Salaries and wages	129,121	129,121	118,149	10,972
Employee benefits	18,700	18,700	13,124	5,576
Payroll taxes	9,813	9,813	9,446	367
Books and related materials	42,000	42,000	40,045	1,955
Supplies	3,100	3,100	3,387	(287)
Southwest Michigan Library Cooperative	1,700	1,700	4,155	(2,455)
Repairs and maintenance	1,000	1,000	2,302	(1,302)
Professional and contractual services	6,500	6,500	5,433	1,067
Insurance	3,500	3,500	4,459	(959)
Telephone	2,500	2,500	2,585	(85)
Building maintenance	6,000	36,000	47,752	(11,752)
Utilities	18,000	18,000	16,543	1,457
Capital outlay	35,000	10,000	2,769	7,231
Miscellaneous	2,700	2,700	9,007	(6,307)
Total Charges to Appropriations	279,634	284,634	279,156	5,478
Budgetary Fund Balance-June 30	245,469	240,469	272,638	32,169

The accompanying notes are an integral part of this statement.

CALVIN MEEUSEN COMPANY, C.P.A., PLLC

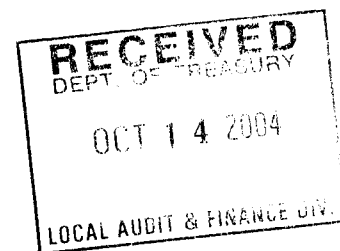
CALVIN D. MEEUSEN
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August 24, 2004

Members of the Library Board
South Haven Memorial Library
South Haven, Michigan



In connection with my examination of the statement of net assets of the South Haven Memorial Library as of June 30, 2004 and the related statement of activities and the fiduciary fund statements for the year then ended, I have reviewed the accounting policies and procedures employed by the Library and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the South Haven Memorial Library for the year ended June 30, 2004, and have issued my report thereon dated August 24, 2004. As part of my examination, I made a study and evaluation of the system of internal accounting control of the South Haven Memorial Library to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the South Haven Memorial Library is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting procedures.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Library taken as a whole. However, I noted certain matters that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the organization's

ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The size of the Library's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Library Board continue to take an active role in the financial affairs of the Library to provide oversight and independent review functions.

Library management should cross-train personnel to ensure that the computerized or manual accounting records would be properly maintained in the event of illness, vacation, or other extended absence.

A budget is required by the State Constitution and by the State Statutes and is the only basis for spending. A local unit cannot budget expenditures in excess of anticipated revenues nor can it overspend its adopted budget unless a change in the budget is approved by the Library Board. During the past fiscal period, the Library Board overspent in several departments. In order to prevent this from happening in the future, I would suggest that financial statements be submitted to the Library Board periodically, which would show the adopted budget, amount spent to date, and the unexpended balance in the account. Then, if it became apparent that an account needed additional funds, the Library Board could amend the budget to cover the anticipated deficiency. Any amendments to the adopted budget should be held to a minimum and should be authorized by resolution of the Library Board and recorded in the Board minutes. The amendments should be listed separately, preferably in the body of the Board minutes. It should be clear to the user which accounts are being increased or decreased. If an expenditure account is being amended because of new revenues or by other circumstances, the revenue accounts should be amended also.

As of June 30, 2004 approximately \$72,000 of the Library's bank balances was not covered by FDIC insurance. It may be in the best interest of the Library to maximize FDIC coverage.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same from them in the future. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted.

A handwritten signature in cursive script that reads "Calvin D. Meeusen Company C.P.A. PLLC". The signature is written in dark ink and is positioned above the printed name.

Calvin D. Meeusen, C.P.A.